

Message Text

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PAGE 01 KINSHA 08563 01 OF 04 081309Z

ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 DOEE-00
DOE-15 SOE-02 SP-02 AID-05 EB-08 TRSE-00 SS-15
STR-07 OMB-01 CEA-01 COME-00 XMB-02 OPIC-03 AGR-01
IO-13 FRB-03 L-03 H-01 INR-10 PA-01 /136 W
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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 1316

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMCONSUL LUBUMBASHI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

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C O N F I D E N T I A L SECTION 1 OF 4 KINSHASA 8563

AMEMBASSY BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS

TAGS: ECON, AID, CG

SUBJECT: BANK OF ZAIRE QUARTERLY FOREIGN EXCHANGE DATA

REFS: A) LUBUMBASHI 0818 B) LUBUMBASHI A-08 C) BRUSSELS 11759

D) STATE 153099 E) KINSHASA 6812 (NOTAL)

1. SUMMARY. EMBOFFS MET WITH BANK OF ZAIRE (BOZ) OFFICIALS JULY 17
TO DISCUSS FOREIGN EXCHANGE DATA FOR THE THIRD QUARTER WHICH WE HAD
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PAGE 02 KINSHA 08563 01 OF 04 081309Z

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QUESTED AT THE BRUSSELS CONFERENCE. MUCH OF THE DATA PROVIDED
REPRESENTS ONLY BEST ESTIMATES OF FOREIGN EXCHANGE RECEIPTS AND
EXPENDI-TURES AND THUS DOES NOT PROVIDE AN ADEQUATE FRAMWORK FOR
EVALUATING THE GOZ'S PROJECTED ALLOCATION OF FOREIGN EXCHANGE
RESOURCES. SUBSEQUENT DATA WHICH EMBOFFS RECEIVED FROM THE CENTRAL

BANK ON AUGUST 5 PROVIDE MORE DETAIL ON ACTUAL BOZ FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES FOR JULY, WHILE A MAJOR BOZ DIRECTIVE DATED JULY 31 OUTLINES THE NEW GUIDELINES WHICH COMMERCIAL BANKS WILL HAVE TO FOLLOW TO ENSURE ALLOCATION OF FOREIGN EXCHANGE FOR PRIORITY IMPORTS AND ENCOURAGE FULLER REPATRIATION OF EXPORT EARNINGS. WHILE WE WOULD PREFER MORE DETAIL ON PROJECTED THIRD QUARTER FOREIGN EXCHANGE RECEIPTS AND GOVERNMENT EXPENDITURES FOR AUGUST AND SEPTEMBER AND WILL CONTINUE TO PRESS FOR SAM (IN CO-ORDINATION WITH IMF IF POSSIBLE), WE BELIEVE THE DATA NOW IN OUR POSSESSION IS THE BEST CURRENTLY AVAILABLE AND REPRESENTS A GENUINE EFFORT BY THE BOZ TO MEET OUR SPECIFIC PRECONDITIONS FOR EMERGENCY ASSISTANCE. MOREOVER, WE BELIEVE THE DATA CONFIRMS ZAIRE'S NEED FOR THE EMERGENCY ECONOMIC ASSISTANCE IN THE THIRD QUARTER THAT WAS DISCUSSED AT BRUSSELS. DESPITE ESTIMATE JULY EXPORT RECEIPTS FOR GECAMINES OF UP TO 95 MILLION DOLLARS (74 MILLION DOLLARS LOW ASSUMPTION) BASED ON NEARLY NORMAL SHIPMENTS OF COPPER AND HIGHER COBALT SHIPMENTS/PRICES, THE BOZ ENVISAGES A DECLINE IN GECAMINES FOREIGN EXCHANGE EARNINGS IN AUGUST (67 MILLION DOLLARS) AND AGAIN IN SEPTEMBER (62 MILLION DOLLARS) DUE TO THE DELAYED IMPACT OF KOLWEZI ON MINERAL PRODUCTION. ON THE OTHER HAND, GECAMINES'S FOREIGN EXCHANGE REQUIREMENTS FOR NECESSARY IMPORTS ARE ESTIMATED AT 31 MILLION DOLLARS PER MONTH. REMAINING, NON-GEAMINES RELATED IMPORTS HAVE BEEN PROJECTED IN LIGHT OF THE EXPECTED EXPORT REVENUES AND CONSEQUENTLY SHOW A 40 PERCENT DECLINE BETWEEN JULY AND SEPTEMBER. THE GOZ IS THUS FORECASTING A SERIOUS FOREIGN EXCHANGE SHORTAGE AND CONSEQUENT DROP IN IMPORTS BY SEPTEMBER WITH POTENTIALLY SEVERE

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PAGE 03 KINSHA 08563 01 OF 04 081309Z

REPERCUSSIONS ON ZAIRE'S ECONOMY. SINCE EMERGENCY ECONOMIC ASSISTANCE COULD HELP BRIDGE SUCH A FINANCIAL GAP AND AVERT FURTHER DETERIORATION IN LIVING STANDARDS, WE RECOMMEND THAT THE PL-480 AGREEMENT BE SIGNED EXPEDITIOUSLY TO ENABLE COMMODITY ASSISTANCE TO COME ON STREAM AS SOON AS POSSIBLE. WE ALSO FEEL THAT WE SHOULD PROCEED TO OBLIGATE THE TECHNICAL ASSISTANCE PORTION OF SSA AT THIS TIME. HOWEVER, IN KEEPING WITH SPIRIT OF THE JUNE 14 BRUSSELS COMMUNIQUE, WE FEEL THAT APPROVAL OF ADDITIONAL NEW ECONOMIC ASSISTANCE

--SPECIFICALLY OUR SECURITY SUPPORTING ASSISTANCE LOAN--SHOULD BE SYN-

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CHRONIZED WITH SPECIFIC GOZ MANAGEMENT REFORMS AT THE BOZ AND FINANCE

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PROVISION OF ADDITIONAL DATA ON BOZ FOREIGN EXCHANGE OPERATIONS FOR AUGUST, AND PRODUCTIVE GOZ/IMF NEGOTIATIONS ON A NEW STANDBY AGREEMENT

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END SUMMARY.

2. EMBOFFS MET WITH BOZ OFFICIALS MUANDA AND BUHENDWA AND OTHERS JULY 17 TO DISCUSS THE FOREIGN EXCHANGE DATA WHICH WE HAD REQUESTED AT BRUSSELS AS A PRECONDITION FOR EMERGENCY US ASSISTANCE. THE DATA

PROVIDED INCLUDE PROJECTED MONTHLY RECEIPTS AND EXPENDITURES FOR JULY

,
AUGUST, AND SEPTEMBER BASED CHIEFLY ON DATA WHICH THE BOZ WAS ABLE
TO OBTAIN DIRECTLY FROM GECAMINES AND SOZACOM (SEE TABLE 1). A DE-
TAILED ANALYSIS BY RECEIPTS AND EXPENDITURES FOLLOWS:

3. RECEIPTS: GECAMINES' FOREIGN EXCHANGE EARNINGS FOR THE THIRD
QUARTER ARE PROJECTED TO DECLINE STEADILY FROM AN UNEXPECTEDLY HIGH
JULY LEVEL:

--THE CENTRAL BANK MADE TWO DIFFERENT PROJECTIONS FOR JULY MINERAL
RECEIPTS. THE INITIAL PROJECTION (BF 3097 MILLION/95 MILLION DOLLARS)
WAS DOUBLE THE 1977 MONTHLY AVERAGE (BF 1600 MILLION/46MILLION
DOLLARS) BECAUSE OF NEARLY NORMAL SHIPMENTS OF COPPER (38,000 MT)
AND ZINC (5,000 MT) AND SHARPLY HIGHER COBALT SHIPMENTS (2,400 MT VS
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PAGE 04 KINSHA 08563 01 OF 04 081309Z

850 AVERAGE IN 1977). BOZ OFFICIALS ATTRIBUTED THE EXCEPTIONAL JULY
SHIPMENTS TO A BACKLOG CREATED
BY MAY/JUNE RAIL DISRUPTIONS. THE HIGH JULY REVENUE WAS ALSO THE
RESULT OF SHARPLY HIGHER COBALT PRICES (BF 625,000/TON OR 8.75
DOLLARS/LB).

-- IN FOLLOW-UP DISCUSSIONS LATER IN THE WEEK, BOZ OFFICIALS
DECIDED TO REVISE GECAMINES' EXPECTED JULY RECEIPTS DOWNWARD
(BF 2,408 MILLION/74 MILLION DOLLARS) USING THE COMPANY'S OWN SO-
CALLED "PESSIMISTIC HYPOTHESIS" (REF A). (WE ARE INCLINED TO
ACCEPT THE LOWER FIGURE, WHICH IS STILL WELL ABOVE THE 1977 AVERAGE.)
BEGINNING IN AUGUST, HOWEVER, BANK OFFICIALS ENVISAGE A SIG-
NIFICANT DROP IN GECAMINES' FOREIGN EXCHANGE EARNINGS AS THE FIRST
EFFECTS OF THE INTERRUPTION IN KOLWEZI PRODUCTION AND PIPELINE-
STOCK DEPLETION ARE FELT. THE BOZ ALSO SEES CONTINUED DECLINE IN
REVENUES DURING THE FOURTH QUARTER. THIS IS CONSISTENT WITH REPORTS
FROM OUR LUBUMBASHI CONSULATE (REF A) THAT THE DELAYED RETURN OF
EXPATRIATE PERSONNEL WILL RESULT IN MOUNTING MAINTENANCE PROBLEMS
AND DECLINING CAPACITY UTILIZATION.

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PAGE 01 KINSHA 08563 02 OF 04 081337Z

ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 CIAE-00 DODE-00
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C O N F I D E N T I A L SECTION 2 OF 4 KINSHASA 8563

AMEMBASSY BRUSSELS ALSO FOR USEEC

4. NON-GEAMINES FOREIGN EXCHANGE EARNINGS FOR BOTH MINERAL AND AGRICULTURAL EXPORTS HAVE BEEN DEDUCED BY EXTRAPOLATION FROM THE GEAMINES DATA USING A ROUGH 40 PERCENT "RULE OF THUMB" FORMULA. BOZ OFFICIALS ARGUE THAT OVER THE PAST TWO YEARS NON-GEAMINES RECEIPTS HAVE AVERAGED 40 PERCENT OF TOTAL EARNINGS FROM MERCHANDISE EXPORTS. WHILE THIS MAY IN FACT BE THE CASE OVER THE LONG RUN, SUCH METHODOLOGY IS UNLIKELY TO BE VALID OVER THE NEXT THREE MONTHS. A DETAILED PROJECTION OF EXPECTED RECEIPTS BY MAJOR ZAIRIAN EXPORTERS AND/OR COMMODITIES WOULD HAVE BEEN PREFERABLE, CONFIDENTIAL

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PAGE 02 KINSHA 08563 02 OF 04 081337Z

THOUGH MORE TIME CONSUMING, WE ALSO REGRET BOZ INABILITY TO ESTIMATE NON-MERCHANDISE FOREIGN EXCHANGE RECEIPTS (SERVICES AND TRANSFERS) FOR THE QUARTER. SUCH RECEIPTS HAVE VARIED CONSIDERABLY FROM YEAR TO YEAR BUT NEVERTHELESS REMAIN SIGNIFICANT (OVER \$200 MILLION IN 1977).

5. ACCORDING TO THE BO, TOTAL MERCHANDISE RECEIPTS FOR THE THIRD QUARTER ARE PROJECTED TO REACH BF 11,478 MILLION/ 353 MILLION DOLLARS. ACTUAL 1977 THIRD QUARTER RECEIPTS WERE ONLY BF 9175 MILLION/258 MILLION DOLLARS BY COMPARISON.

6. EXPENDITURES: GEAMINES' PROJECTIONS FOR THEIR OWN FOREIGN EXCHANGE REQUIREMENTS IN THE THIRD QUARTER (BF 3 BILLION/93 MILLION DOLLARS) AGAIN PROVIDE A POINT OF DEPARTURE FOR THE BOZ ANALYSIS. GEAMINES MUST IMPORT FUEL, FOOD, RAW MATERIALS AND SPARE PARTS AS

WELL AS REPLACE OLD EQUIPMENT AND CONTINUE FINANCING A PORTION OF THE P-2 EXPANSION PROJECT. ALREADY IN MARCH, ASSISTANT DIRECTOR GENERAL OF GECAMINES CHARLES PICQUET HAD PLACED GECAMINES MONTHLY FOREIGN EXCHANGE REQUIREMENTS AT BF 1 BILLION (REF B). THIS FIGURE NOW APPEARS TOO CONSERVATIVE IN THE AFTERMATH OF KOLWEZI.

7. BOZ OFFICIALS HAVE CALCULATED NON-GECAMINES RELATED IMPORTS AS A RESIDUAL AFTER TAKING INTO ACCOUNT PROJECTED FOREIGN EXCHANGE RECEIPTS FOR THE THIRD QUARTER, SOME PAYMENT OF PUBLIC/PRIVATE DEBT SERVICE AND COMMERCIAL ARREARS, EXPENDITURES ON NECESSARY SERVICE IMPORTS AND EXECUTIVE COUNCIL/GOVERNMENT EXPENDITURES. THE MONTHLY FIGURES FOR JULY (BF 2277 MILLION/70 MILLION DOLLARS), AUGUST (BF 1587 MILLION/49 MILLION DOLLARS), AND SEPTEMBER (BF 1362 MILLION/42 MILLION DOLLARS) PRESENT THE THRUST OF THE GOZ ARGUMENT FOR EMERGENCY FOREIGN DONOR ASSISTANCE:
--ACCORDING TO BOZ STATISTICS, NON-GECAMINES RELATED IMPORTS FOR 1976, 1977, AND THE FIRST FIVE MONTHS OF 1978 AVERAGED BF 1800 MILLION/55 MILLION DOLLARS PER MONTH--A PERIOD CHARACTER-
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PAGE 03 KINSHA 08563 02 OF 04 081337Z

IZED BY A SHARP DECLINE IN GDP AND HIGH INFLATION. THE BANK ARGUES THAT BF 2,500 MILLION/77 MILLION DOLLARS PER MONTH IS THE MINIMUM REQUIRED JUST TO ARREST FURTHER DEGRADATION IN ZAIRE'S ECONOMY.
--FORTUNATELY, AVAILABLE FINANCING FOR JULY IMPORTS BF 2,277 MILLION/70 MILLION DOLLARS WOULD COME CLOSE TO MEETING THE BOZ'S DECLARED MINIMUM IMPORT LEVEL, BUT AS A RESULT OF DECLINING GECAMINES REVENUES, IMPORT LEVELS ARE EXPECTED TO FALL 40 PERCENT BY SEPTEMBER TO BF 1,362 MILLION/42 MILLION DOLLARS.
-- BOZ OFFICIALS POINT OUT THAT ZAIRE COULD SUSTAIN IMPORTS AT THE BF 2,500 MILLION/77 MILLION DOLLARS PER MONTH LEVEL DURING THE THIRD QUARTER BY SUSPENDING ALL DEBT SERVICE AND COMMERCIAL ARREARS PAYMENTS. INSTEAD, OFFICIALS ARE REQUESTING BF 2 TO 3 BILLION/62 TO 92 MILLION DOLLARS IN EXTERNAL ECONOMIC ASSISTANCE FOR THE THIRD QUARTER TO BRIDGE THE FINANCING GAP.

8. IN ADDITION TO THESE GENERAL STATISTICS, BOZ OFFICIALS ALSO PROVIDED A BREAKDOWN OF THE CENTRAL BANK'S AVERAGE MONTHLY FOREIGN EXCHANGE EXPENDITURES FOR THE THIRD QUARTER. THE MAIN LINE ITEMS INCLUDE:

	BF (MILLION)	DOLLARS (MILLION)
--PETROZAIRE (FUEL)	264	8.1
--MIDEMA (FLOUR)	66	2.0
--COMMERCIAL ARREARS	300	9.2
--BOZ OPERATING EXPENSES	85	2.6
--FOREIGN AIRLINES (INCLUDING PANAM)	22	.7
--AIR ZAIRE AND SELECTED PARASTATALS	56	1.7
--EXECUTIVE COUNCIL/GOVERNMENT	255	7.9
--DEBT SERVICE, BANQUE DE FRANCE	50	1.5
--DEBT SERVICE, PARIS CLUB	100	3.1

--DEBT SERVICE, LONDON CLUB	50	1.5
--DEBT SERVICE, OTHERS	90	2.8
--EMERGENCY FUND	7	.3
TOTAL	1,344 MILLION	41.4 MILLION
	4,032 MIL/QTR	124.2 MIL/QTR

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PAGE 04 KINSHA 08563 02 OF 04 081337Z

9. ON AUGUST 5, THE BANK OF ZAIRE PROVIDED THE EMBASSY A DETAILED BREAKDOWN OF ITS ACTUAL FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES FOR THE MONTH OF JULY. THE JULY EXPENDITURE FIGURES ARE IN LINE WITH THE ABOVE PROJECTED MONTHLY AVERAGES FOR THE THIRD QUARTER WITH THE

FOLLOWING NOTABLE EXCEPTIONS:

	BF (MILLION)	DOLLARS (MILLION)
--EXECUTIVE COUNCIL/GOVERNMENT)	343	10.6
--AIR ZAIRE AND OTHER PARASTATALS	125	3.9
--DEBT SERVICE, PARIS CLUB	28	0.9

TOTAL BOZ FOREIGN EXCHANGE RECEIPTS FOR JULY WERE BF 2239 MILLION/ 69 MILLION DOLLARS. (THIS COMPARES WITH THE GOZ ESTIMATED GLOBAL FOREIGN EXCHANGE RECEIPTS FOR JULY OF BF 4472 MILLION/138 MILLION DOLLARS.) BOZ FOREIGN EXCHANGE EXPENDITURES WERE BF 1398 MILLION/ 43 MILLION DOLLARS. THE BALANCE OF BF 841 MILLION/26 MILLION DOLLARS IS REPORTEDLY EARMARKED TO COVER ZAIRE'S IMF REPURCHASES. DETAILS OF JULY EXPENDITURES AND RECEIPTS WILL FOLLOW BY SEPTE.

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PAGE 01 KINSHA 08563 03 OF 04 081356Z

ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 CIAE-00 DODE-00
 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 DOEE-00
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C O N F I D E N T I A L SECTION 3 OF 4 KINSHASA 8563

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10. THE BOZ COULD NOT PROVIDE DETAILS ON THE PROJECTED FOREIGN EXCHANGE EXPENDITURES CHANNELLED THROUGH THE COMMERCIAL BANKS FOR THE THIRD QUARTER. (BF 7446 MILLION/230 MILLION DOLLARS). HOWEVER, BOZ OFFICIALS DID CONFIRM A NEW FOREIGN EXCHANGE ALLOCATION PLAN WHICH THE BOZ HAS WORKED OUT IN CONSULTATION WITH THE MAJOR COMMERCIAL BANKS AND REPORTEDLY THE IMF AS WELL. THE PLAN WAS ANNOUNCED JULY 31 IN THE FORM OF A BOZ DIRECTIVE AND INCLUDES THE FOLLOWING PROVISIONS:

--GECAMINES' FOREIGN EXCHANGE EARNINGS WILL CONTINUE TO
CONFIDENTIAL

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PAGE 02 KINSHA 08563 03 OF 04 081356Z

ACCRUE, IN THEORY, TO THE BOZ (45 PERCENT), THE NEW YORK FEDERAL RESERVE (10 PERCENT), AND GECAMINES (45 PERCENT).
--EFFECTIVE AUGUST 15, THE GOZ WILL ALSO RECEIVE 30 PERCENT OF ALL OTHER MINERAL/AGRICULTURAL EXPORT EARNINGS.
--THE REMAINING 70 PERCENT WILL BE RETAINED BY THE COMMERCIAL BANKS. HOWEVER, EACH BANK WILL BE DIRECTED TO ALLOCATE FOREIGN EXCHANGE TO CUSTOMERS ACCORDING TO IMPORT PRIORITIES ESTABLISHED BY THE GOZ (INITIALLY 25 PERCENT FOR SERVICES, 33 PERCENT FOR ESSENTIAL FOOD AND PHARMACEUTICAL SUPPLIES, 35 PERCENT FOR RAW MATERIALS AND SPARE PARTS, 2 PERCENT FOR FUEL AND 5 PERCENT FOR NON-PRIORITY GOODS.) THE COMMERCIAL BANKS WILL SUBMIT MONTHLY REPORTS ON THEIR IMPORT FINANCING TO THE BOZ. THE BOZ WILL IN TURN PERIODICALLY REVIEW ITS ALLOCATION PRIORITIES.
--COMMERCIAL BANKS WILL STILL BE ABLE TO FINANCE PRIORITY IMPORTS WITHOUT PRIOR AUTHORIZATION OF THE BOZ; AND NON-PRIORITY IMPORTS WILL CONTINUE TO REQUIRE PRIOR BOZ CERTIFICATION, I.E. A "VISA PRELABLE".
--THE BOZ WILL NO LONGER ISSUE NGBZ'S (NOUVELLE GARANTIE BANQUE DU ZAIRE), WHICH GUARANTEED PAYMENT IN FOREIGN EXCHANGE FOR CERTAIN IMPORT SHIPMENTS SELECTED BY THE CENTRAL BANK. HEREAFTER, ALL LETTERS OF CREDIT FOR IMPORTS ISSUED BY THE COMMERCIAL BANKS WILL HAVE TO BE COVERED BY THE BANKS' OWN FOREIGN EXCHANGE.

THE BOZ HAS AT THE SAME TIME TAKEN SEVERAL ACTIONS TO IMPROVE THE REPATRIATION OF EXPORT RECEIPTS:

--TO STREAMLINE EXPORT LICENSING PROCEDURES, THE BOZ INTENDS TO DELEGATE AUTHORITY IN THIS AREA TO ITS REGIONAL BRANCHES.

--THE GOZ HAS ISSUED INSTRUCTIONS TO EXPORTERS AND PRIVATE BANKS THAT FUTURE EXPORT LICENSES MUST BE ACCOMPANIED BY IRREVOCABLE LETTERS OF CREDIT FROM THE BUYERS SO AS TO ENSURE THAT EXPORT PROCEEDS ARE REPATRIATED IN FULL.

--THE BOZ IS NOW REVIEWING ALL EXPORT LICENSES ISSUED BY PRIVATE BANKS DURING 1977 AND THE FIRST HALF OF 1978, AND
CONFIDENTIAL

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PAGE 03 KINSHA 08563 03 OF 04 081356Z

WHERE FULL PROCEEDS HAVE NOT BEEN REPATRIATED, THE GOZ WILL INSIST ON FULL REPATRIATION AND/OR PENALIZE EXPORTERS.

COMMENTS: MOST OF THE DATA ON FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES IS CAST IN GENERAL MACROECONOMIC TERMS AND CONSEQUENTLY DOES NOT

PROVIDE THE DETAILED FRAMEWORK WHICH WE WOULD WISH FOR DISCUSSING A RATIONAL ALLOCATION OF ZAIRE'S FOREIGN EXCHANGE RESOURCES. HOWEVER, WE BELIEVE THAT IT IS THE BEST AVAILABLE. THE BOZ HAS PROVIDED A DETAILED BREAKDOWN OF ITS OWN RECEIPTS AND EXPENDITURES FOR JULY AND PROMISED THE SAME FOR AUGUST AND SEPTEMBER. THE BANK'S JULY 31 DIRECTIVE TO THE COMMERCIAL BANKS ALSO SEEKS TO PROVIDE BETTER ALLOCATION OF FOREIGN EXCHANGE IN THE PRIVATE SECTOR AND ATTEMPTS TO STRENGTHEN CONTROLS OVER THE REPATRIATION OF EXPORT RECEIPTS. WE THEREFORE FEEL THAT THE GOZ HAS MADE A GENUINE EFFORT TO SATISFY THE SPECIFIC PRECONDITIONS WHICH WE SET IN BRUSSELS FOR EMERGENCY ASSISTANCE. MORE DETAILED BUDGETARY INFORMATION WILL DEPEND PARTLY UPON THE INSTALLATION OF THE IMF TEAM AT THE CENTRAL BANK, THE UNDP TEAM AT FINANCE, AND THE BELGIANS AT CUSTOMS, ALL OF WHICH REQUIRE TIME.

12. DESPITE THE CITED SHORTCOMINGS, WE BELIEVE THAT THE GOZ'S PROJECTIONS OF FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES FOR THE THIRD QUARTER PRESENTS A PERSUASIVE CASE FOR THE EMERGENCY ECONOMIC ASSISTANCE DISCUSSED AT BRUSSELS. AS POINTED OUT EARLIER, GECAMINES' PROJECTED QUARTERLY RECEIPTS CONTAIN A WIDE MARGIN FOR ERROR AND MAY BE OVERESTIMATED. THE DELAY IN THE RETURN OF EXPATRIATES TO KOLWEZI MAY RESULT IN SHARPER DECLINES IN PRODUCTION AS MAINTENANCE PROBLEMS GROW. "OTHER" EXPORT RECEIPTS FOR THE QUARTER ARE ALSO PROJECTED BY THE BOZ WELL ABOVE THE PERFORMANCE OF PREVIOUS YEARS. MORE SIGNIFICANT, GECAMINES' MINIMUM FOREIGN EXCHANGE REQUIREMENTS ARE PROBABLY UNDERSTATED IN THE WAKE OF KOLWEZI, WHILE GOVERNMENT EXPENDITURES ON IMPORTS OF GOODS AND SERVICES ARE ESTIMATED AT SACARCEL

Y
HALF THE AVERAGE MONTHLY EXPENDITURES OF PREVIOUS YEARS. IT IS THEREFORE POSSIBLE THAT REMAINING PRIVATE SECTOR IMPORTS WOULD BE SQUEEZED EVEN MORE THAN THE GOZ ANTICIPATES TO CLOSE THE FINANCIAL GAP. IT IS PROBABLE THAT THE GOZ WOULD TRY TO FINANCE THE GAP BY
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KINSHA 08563 03 OF 04 081356Z

AGAIN FAILING TO MAKE DEBT PAYMENTS, BUT THE SHORTFALL WOULD ALSO BE REFLECTED IN A FURTHER DETERIORATION IN THE STANDARD OF LIVING, PARTICULARLY OF THE URBAN POOR.

13. WHILE THE BOZ FOREIGN EXCHANGE DATA IS ADMITTEDLY TOO GENERAL TO PROVIDE A RATIONALE FOR MEDIUM OR LONG-TERM ECONOMIC ASSISTANCE, WE BELIEVE IT PROVIDES SUFFICIENT JUSTIFICATION FOR EMERGENCY ECONOMIC ASSISTANCE DURING THIS QUARTER AS DISCUSSED AT BRUSSELS. WE THEREFORE RECOMMEND THE PROMPT SIGNING OF THE FY 1978 PL-480 AGREEMENT SO THAT COMMODITIES START TO FLOW AS SOON AS POSSIBLE. TIMELINESS IS PARTICULARLY IMPORTANT FOR RICE SHIPMENTS AS STOCKS ARE ESSENTIALLY EXHAUSTED AND HARVEST OF THE NEXT LOCAL CROP WILL NOT BEGIN UNTIL DECEMBER. IMPORTED RICE IS URGENTLY NEEDED NOW, AND WE WANT IT TO ARRIVE SOON SO AS NOT TO COMPETE WITH THE LOCAL HARVEST. MISSION IS PRESENTLY WORKING WITH THE GOZ ON A RICE DISTRIBUTION PLAN SO THAT WE WILL BE IN A POSITION TO MOVE RAPIDLY SHOULD THE PL-480 AGREEMENT BE APPROVED.

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PAGE 01 KINSHA 08563 04 OF 04 081405Z

ACTION AF-10

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 CIAE-00 DODE-00
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C O N F I D E N T I A L SECTION 4 OF 4 KINSHASA 8563

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14. WE ALSO CONTINUE TO FEEL THAT THE FY 78 TECHNICAL ASSISTANCE PROGRAM SHOULD PROCEED NORMALLY ONCE THE CONDITIONS OF THE BROOKE AMENDMENT HAVE BEEN MET. THE TECHNICAL ASSISTANCE PORTION OF SSA HAS A DIRECT IMPACT ON ZAIRE'S POOR. FURTHERMORE, THE REMAINING \$3.8 MILLION IN THE FY 78 PROGRAM HAS BEEN UNDER NEGOTIATION FOR SOME TIME, RAISING EXPECTATIONS AT ALL LEVELS.

15. HOWEVER, TO MAINTAIN THE LINK EMBODIED IN THE BRUSSELS COMMUNIQUE BETWEEN FURTHER GOZ ECONOMIC REFORM AND FOREIGN DONOR
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PAGE 02 KINSHA 08563 04 OF 04 081405Z

ASSISTANCE, WE SUPPORT SYNCHRONIZING OUR 5 MILLION DOLLAR SECURITY ASSISTANCE LOAN WITH GOZ PROGRESS ON MANAGEMENT REFORMS -- SPECIFICALLY THE INSTALLATION OF THE IMF "PRINCIPAL DIRECTOR" AND HIS TEAM AT THE BOZ, SUCCESSFUL NEGOTIATIONS ON AN IMF STANDBY, AND THE PROVISION OF THE ADDITIONAL BOZ FOREIGN EXCHANGE DATA FOR AUGUST.

16. TABULAR PRESENTATION OF BOZ DATA FOLLOWS:

TABLE 1. FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES

JULY-SEPTEMBER 1978

(MILLIONS OF B.F.)

	JUL	AUG	SEP	TOTAL
RECEIPTS	4,472	3,628	3,378	11,478
GECAMINES	& 2,408	2,177	2,027	6,612
OTHER	2,064	1,451	1,351	4,866
EXPENDITURES	4,472	3,628	3,378	11,478
GECAMINES	1,000	1,000	1,000	3,000
INVISIBLES	605	451	426	1,482
- OF WHICH GOVNT.	255	255	255	765
CAPITAL(DEBT SERVICE)	290	290	290	870
-PUBLIC	150	150	150	450
-PRIVATE	140	140	140	420
MERCHANDISE	2,577	1,887	1,662	6,126
-COM. ARREARS	300	300	300	900
-IMPORTS	2,277	1,587	1,362	5,226
BALANCE	-	-	-	-

&THIS REPRESENTS GECAMINES' LOW OPTION ESTIMATE WHICH EMBASSY FEELS IS MORE ACCURATE THAN HIGH OPTION BF 3097 MILLION.

TABLE 2. FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES 1976-1978

AND FORECAST FOR THIRD QUARTER 1978

(MONTHLY AVERAGES IN MILLIONS OF B.F.)

1976 1977 1978 (1) FORECAST 3D 154 78

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PAGE 03 KINSHA 08563 04 OF 04 081405Z

RECEIPTS	2,600	2,800	2,700	3,826
GECAMINES	1,600	1,600	1,600	2,204
OTHER	1,000	1,200	1,100	1,622
EXPENDITURES	4,471	5,131	3,711	3,826
GECAMINES	901	1,624	738	1,000
INVISIBLES	1,114	1,191	927	494
-OF WHICH GOVNT.	284	412	280	254
CAPITAL	558	533	248	290
-PUBLIC	372	313	158	150
-PRIVATE	186	220	90	140
MERCHANDISE	1,898	1,783	1,798	2,042

(1) BASED ON FIRST FIVE MONTHS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, FOREIGN EXCHANGE DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 08 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINSHA08563
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780324-0493
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780888/aaaacvyw.tel
Line Count: 568
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e32a0467-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LUBUMBASHI 818, 78 LUBUMBASHI A-8, 78 BRUSSELS 11759
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1807567
Secure: OPEN
Status: NATIVE
Subject: BANK OF ZAIRE QUARTERLY FOREIGN EXCHANGE DATA
TAGS: ECON, EAID, CG
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/e32a0467-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014